

Message Text

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R3

ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 AID-20 CEA-02 CIAE-00

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FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 3891

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS UNN

USMISSION EC BRUSSELS UNN

USMISSION USUN NEW YORK

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: DIRECT INVESTMENT ISSUES IN THE OECD

REF: STATE 89852

1. THE ECONOMIC OFFICER INFORMALLY DISCUSSED DIRECT INVESTMENT ISSUES AS PER PARA SIX OF REFTEL WITH OFFICIALS IN MINISTRY OF FINANCE (JOHNNY SCHMITZ), MINISTRY OF ECONOMY (CLAUDE LANNERS), AND MFA (JEAN SCHLEICH).

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UNFORTUNATELY, MFA OFFICIAL WITH DIRECT RESPONSIBILITY

FOR DEVELOPING GOL POSITIONS ON OECD MATTERS (PAUL PUTZ) WILL NOT RETURN FROM LEAVE UNTIL MAY 16.

2. THESE OFFICIALS POINT OUT THAT THE GOL IS AMONG THE MOST LIBERAL NATIONS IN ADMITTING FOREIGN INVESTMENT AND THAT THE GOL CURRENTLY GRANTS NATIONAL TREATMENT TO FOREIGN INVESTORS SEEKING TO ESTABLISH FACILITIES IN LUXEMBOURG. NEW FOREIGN INVESTMENT (AS OPPOSED TO INVESTMENTS BY ESTABLISHED FOREIGN FIRMS) HAS DECREASED DURING THE PAST FEW YEARS BECAUSE OF THE EXTREME SHORTAGE OF LABOR IN LUXEMBOURG. UNDER THE GOL INDUSTRIAL DIVERSIFICATION PLAN, THE GOL HAS SINCE 1962 ENCOURAGED FOREIGN INVESTMENT BY OFFERING SPECIAL INCENTIVES AND SUBSIDIES FOR FOREIGN FIRMS TO SETTLE IN LUXEMBOURG. MOST OF THESE NEW FIRMS ARE U.S. MULTINATIONALS WHICH NOW ACCOUNT FOR APPROXIMATELY 20 PERCENT OF LUXEMBOURG'S INDUSTRIAL PRODUCTION.

3. ON THE OTHER HAND, LUXEMBOURG HAS INSIGNIFICANT INVESTMENT IN OTHER COUNTRIES SO THAT MANY OF THE INVESTMENT REFORM ISSUES OF INTEREST TO OTHER NATIONS ARE OF MARGINAL INTEREST TO THE GOL.

4. SINCE LUXEMBOURG DEPENDS UPON FOREIGN INVESTMENT FOR NEARLY ALL NEW INVESTMENT OUTSIDE OF THE STEEL SECTOR, THE GOL SHOULD NOT HAVE A PROBLEM IN ACCEPTING THE PRINCIPLE OF NATIONAL TREATMENT AS AN ELEMENT IN THE OECD REFORM PACKAGE. SIMILARLY, GOL OFFICIALS SEE NO OBJECTIONS TO MOVING FORWARD WITH REVIEW PROPOSALS FOR CONSULTATIONS AND REVIEWS OF DIRECT INVESTMENT.

5. GOL OFFICIALS AGREE, IN THE FIRST INSTANCE, THAT INVESTMENT REFORM SHOULD BE LIMITED TO THE OECD AREA. THEY BELIEVE THAT EXPANDING INVESTMENT REFORM TO INCLUDE LDCS WOULD ONLY HINDER THE REFORM EFFORT AND COULD LEAD TO A RICH NATION-POOR NATION CONFRONTATION, PARTICULARLY IN VIEW OF THE RECENT LDC SPONSORED UN DECLARATION ON SOVEREIGNTY OVER NATURAL RESOURCES.

6. FINALLY, THESE AUTHORITIES ARE NOT CONCERNED WITH LIMITED OFFICIAL USE

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THE PACE OF WORK IN THE OECD ON MTNS. GOL EXPERIENCE WITH MTNS HAS BEEN FAVORABLE AND NONE OF THE MULTATIONALS BASED IN LUXEMBOURG HAVE EVIDENCED BEHAVIOR THAT GOL AUTHORITIES CONSIDER INJURIOUS TO THE LUXEMBOURG ECONOMY. CONSEQUENTLY, GOL AUTHORITIES ARE UNCONCERNED WITH MUCH OF THE FUROR OVER MTNS.

7. COMMENT: FROM THESE DISCUSSIONS IT APPEARS THAT THE

GOL HAS DONE LITTLE THINKING ON THE QUESTIONS OF OECD INVESTMENT REFORM, PROBABLY BECAUSE THE QUESTION IS MORE ACADEMIC THAN REAL FOR LUXEMBOURG WHICH WELCOMES FOREIGN INVESTMENT AND WHICH IS UNINTERESTED IN INVESTING IN OTHER COUNTRIES. THESE INFORMAL DISCUSSIONS HAVE SERVED, HOWEVER, TO STIMULATE GOL THINKING ON THE MATTER. WE EXPECT THAT THE GOL POSITION WILL BE COORDINATED CLOSELY WITH ITS BELGIAN PARTNERS IN THE BLEU.
FARKAS

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